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SENSITIVE
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STATE FOR EUR/WE, EEB/TPP/IPE, EEB/IFD/OIA, EEB/TRA/AN
STATE PASS USTR FOR D.WEINER
COMMERCE FOR 4212/DON CALVERT
ENERGY FOR PIA/K.BALLOU AND EERE/D.BIRNS
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E.O. 12958: N/A
TAGS: [BEXP](#) [ECON](#) [EINV](#) [ENRG](#) [KIPR](#) [SP](#)
SUBJECT: AMBASSADOR SOLOMONT'S JANUARY 25 CALL ON
INDUSTRY/TOURISM/COMMERCE MINISTER SEBASTIAN

REF: A. MADRID 80
[1](#)B. MADRID 67

MADRID 00000086 001.3 OF 004

Summary

1.(SBU) On January 25, Minister Sebastian and the Ambassador emphasized their desire to work together to strengthen bilateral business and economic ties. State Secretary Ros reviewed his January 20-21 Washington meetings on intellectual property rights and the status of proposed legislation to combat internet piracy. The Minister encouraged the Ambassador to engage the Madrid regional government president on internet piracy. The Ambassador emphasized the importance he placed on favorable GOS consideration of two proposed solar electricity investments; Sebastian and State Secretary Marin explained that it would be difficult for the GOS to approve the SolarReserve project, but the Minister promised to take another look. The Ambassador suggested considering how to integrate President Zapatero's goal of a bilateral economic and investment forum into the existing U.S.-Spain Forum. A Foreign Trade Institute official agreed to check on the status of the Spanish treasury's response to a U.S. Treasury letter on renegotiating our bilateral income tax treaty. Minister Sebastian also asked for help getting information from General Motors on the company's plans for Opel. He noted the GOS, strong interest in hosting a U.S.-EU summit during Spain's EU presidency, cited concerns by Spanish infrastructure companies over Buy American restrictions, and raised the Iberia/One World Alliance application for antitrust immunity for the Iberia-BA merger. End Summary.

2.(U) The Ambassador paid an introductory call on Spanish Minister of Industry, Tourism, and Commerce Miguel Sebastian on January 25. Sebastian was accompanied by Secretary of State (deputy minister) for Telecommunications and the Information Society Francisco Ros, Secretary of State for energy Pedro Marin, Foreign Trade Institute (ICEX) CEO Angel Martin-Acebes, and two staffers. The Ambassador was accompanied by the economic and commercial counselors. The Ambassador opened by referring to his January 22 meeting with President Zapatero (ref A) and the importance he placed on strengthening business ties between the two countries.
Internet Piracy

3.(SBU) The Ambassador highlighted the difficulties faced by the U.S. movie and recording industry in Spain as a result of internet piracy. He acknowledged that some thought the Special 301 process was unfair but stressed that the issue needed to be addressed. He emphasized the USG's desire to help address the problem (though he did not want to take a position on details of the legislation) and said that he had met the previous week with the head of the opposition Popular Party (PP) (ref B) to encourage a constructive approach. State Secretary Ros indicated that it would be helpful for the Ambassador to continue to encourage the PP.

4.(SBU) Minister Sebastian noted that immediately upon taking office in 2008 he had met with the Ambassador's predecessor, who had told him Spain had been placed on the Watch List. Since that time, the GOS had made considerable progress on two of the issues that had been cited at the time, illegal software and street sales of counterfeit products.

5.(SBU) On the third (comment: and most important) issue, unauthorized internet downloads of movies and music, Sebastian said that many Spaniards thought the "digital canon" private copy levy on recording instruments and media gave them the right to download whatever they wanted. In addition, going after individual users was difficult for the GOS, which did not want to jeopardize families' access to the internet just because one member downloaded unauthorized items. He said the GOS had gotten the ISP association to negotiate with the Coalition of content providers. He described the political tension around the issue, saying the GOS considered unfair both the MPAA's claim that it was overly permissive and the PP's and the internet users groups' claim that it was almost as repressive on internet issues as Iran or China or Cuba. The Minister called "very worrisome"

MADRID 00000086 002.3 OF 004

the PP's initial reaction to the government's first legislative proposal. He was particularly concerned that the Madrid regional government had been organizing meetings with internet users. He understood the national party seeking political advantage, but he was concerned about the institutional aspects of the regional government getting involved, and he said it would be helpful if the Ambassador could encourage the regional president to stop. The Ambassador agreed to raise the issue when he meets with the regional president.

6.(SBU) Secretary Ros said that in his meetings in Washington the previous week, Spain's efforts had been generally very well received. The software companies were "fine," and the movie industry was also "happy." However, the music industry still had problems, acted as if the GOS had done nothing, and was not patient enough to wait for implementation of the law as would be necessary. (Comment: The U.S. music industry says the draft legislation's emphasis on closing websites will do very little to address direct peer-to-peer (P2P) filesharing, which is more of a problem for music than for movies. The GOS says the legislation will have some impact on P2P filesharing as well.) Ros said everyone was waiting to see what happened with the draft law, which was now in a consultation stage that could last a month or a month and a half. Afterwards it would go to the Congress, where the government is just short of a majority. If the PP supported it, it could move quickly. If the PP opposed it and proposed language changes, it could take longer. Ros also said that Spain's problem was like those in other countries and that fundamentally the industries' business models needed to change. He and Minister Sebastian both cited the importance of promoting legal downloads, which the Ministry is seeking to do.

7.(U) Ros also said his telecoms-related meetings had gone well and that his interlocutors had agreed to set up working groups to address issues such as cybersecurity, net neutrality, and next generation networks.

8.(SBU) Comment: Ros had emphasized in his Washington IPR meetings the importance of USG engagement with the PP, and this meeting confirmed the GOS' interest. Post will continue our efforts to encourage national PP figures to take a constructive approach toward the GOS' proposed legislation. We will also engage with the regional government.

Double Taxation Treaty

9.(SBU) The Ambassador noted that both he and the Minister wanted to promote business and jobs in our two countries and said that one issue companies raised was the need to revise the bilateral double taxation treaty. The USG was awaiting a response to a letter that had been sent from Treasury's tax negotiating office to its Spanish counterparts. Minister Sebastian said his ministry often pushed the issue with Spain's treasury. Martin-Acebes said the treasury was working on a response, and he agreed to the Ambassador's request that he look into the issue and let us know when a response might be ready.

Strengthening Business Ties

10.(U) The Ambassador and the Minister emphasized their joint interest in strengthening U.S.-Spain business ties. Sebastian had traveled to the U.S. four times in 2009, and he described his involvement in the launch of the "Made in Spain, Made by Spain" awareness campaign in the U.S. The Ambassador noted President Zapatero's interest in a US-Spain investment and economic forum he had proposed during his October visit to the White House. Martin-Acebes said the presidency was working on the idea. The Ambassador recommended considering how to integrate Zapatero's goals into the existing U.S.-Spain Council and U.S.-Spain Forum, which benefited from the commitment of Senator Menendez and others. The Minister expressed concern about the multiplication of different business groups that did not talk to each other, citing the U.S. Chamber of Commerce in Spain (AmCham) and the American Business Council. He said that

MADRID 00000086 003.3 OF 004

adding a new forum/council would be difficult.

U.S. Companies' Solar Power Projects

11.(U) In emphasizing the importance he places on strengthening the bilateral economic relationship in order to create jobs, the Ambassador noted that Spanish companies were the largest recipients in the U.S. of stimulus funding for renewable energy projects. He said the USG was glad to promote these investments, which resulted in U.S. jobs. He also wanted favorable consideration of U.S. companies, proposed investments in Spain. He mentioned two planned solar thermal electricity investments by U.S. companies, saying that both were important symbolically as well as for the direct amounts of investment and jobs they would bring. The investment by Florida Power and Light subsidiary NextEra now appeared to be in good shape and would be the largest new U.S. investment in Spain in several years. It would be an example of the two governments' shared confidence in renewable energy.

12.(SBU) A greater concern was the difficulties faced by a large project by SolarReserve that was important both in terms of economic activity and technology development. Minister Sebastian responded by explaining how the GOS had seen a bubble develop in solar photovoltaic electricity projects in 2008 and was seeing one in solar thermal projects in 2009. In both cases, far more companies had applied to build projects and receive the generous guaranteed feed-in tariffs than the GOS had expected, and the result was going to be very expensive to consumers for many years. He noted that the GOS had changed its registration process to burst these bubbles, and that many Spanish companies were very upset with the GOS for doing so.

13.(SBU) Secretary of State Marin said Solar Reserve had presented its application in December, several months after the May 6 deadline, and that the original GOS target had been 500 MW of projects but that the GOS had allowed 2,500 MW to be scheduled between now and 2013. The GOS could not predict now what the guaranteed feed-in tariff would be after 2013 because it would have to see how the technology evolved, though the tariff certainly would be lower. It would be difficult for the GOS to allow Solar Reserve to "jump the queue" ahead of all the other companies (Sebastian said "thousands of megawatts") that had applied between May and December. Marin also noted that the company was seeking authorization for a larger project than the 50 MW allowed by the GOS decree-law. He added that the company's interest in using an alternative provision of the existing royal decree could not be accommodated because of overall capacity limits. He commented that the GOS had authorized much new renewables capacity at a time when overall electricity demand was falling, and there might not be demand for new capacity for a while.

14.(SBU) The Ambassador acknowledged Sebastian's and Marin's comments. He noted that the company was willing to accept a tariff that was significantly lower than the tariff other companies were receiving (note: this is a condition of the alternate legal route) and urged the Minister and the Secretary to look at the company's arguments again and see if anything could be done. He said the USG interest was partly in business terms and partly because of the symbolic importance. Marin noted that his team had met with company officials recently and that he was familiar with their arguments.

Other Issues

15.(SBU) Minister Sebastian asked for help getting information from General Motors about the company's plans for Opel (which has a factory in Zaragoza province). He said the company was keeping the British government informed, but that the GOS had to learn about developments in the press. Sebastian had been pleased with GM's decision to keep Opel but wanted more information, or at least as much as the British were getting.

MADRID 00000086 004.3 OF 004

16.(SBU) Minister Sebastian said Spanish infrastructure companies were concerned about Buy America legislative provisions. Upon being questioned by the Ambassador, Martin-Acebes could not come up with an example of a Spanish investment that had been prevented because of national government restrictions. He instead cited a Texas state action and general concern by construction companies about state and local actions, adding that the perception could become a deterrent to investment. Commercial counselor noted that Spanish infrastructure companies were doing very well in the U.S. and that the CAF railroad car manufacturer had recently reached an agreement; the company would do more manufacturing in the U.S. than it had originally envisioned, but it appeared to be satisfied. The Ambassador noted that the Embassy could address a perception of barriers by highlighting the success Spanish companies were having in the U.S.

17.(SBU) Minister Sebastian noted GOS concern about the One World Alliance's application for anti-trust immunity for the BA-Iberia airline merger. He also noted the GOS' strong interest in having a U.S.-EU summit in Madrid during Spain's EU presidency. He added that he expected the Defense Minister (whom the Ambassador saw the next day) to raise the interest of the Spanish company EADS-Casa (Airbus Military) in the revised DOD tender for new refueling tanker aircraft.

Comment

18.(SBU) Minister Sebastian was clearly interested in

establishing a productive relationship with the Ambassador. Sebastian made a point of assuring the Ambassador as the meeting broke up that his ministry "would try" on Solar Reserve but that it would be very difficult. Another sign of the importance he placed on the relationship was the presence in the meeting of two deputy ministers, an agency head, and two other staffers, many more than usually attend such meetings.

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